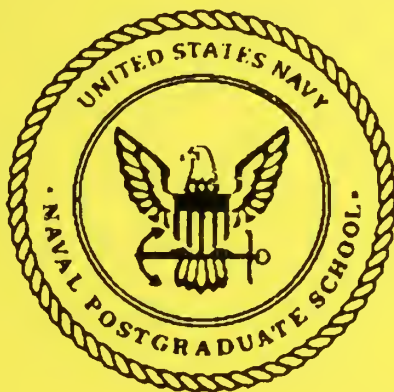


NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



HONG KONG AND BEIJING: TRIP REPORT

by

CLAUDE A. BUSS

MAY 1992

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**NAVAL POSTGRADUATE SCHOOL
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<p>This report contrasts the political and economic atmosphere of Hong Kong and Beijing. It examines the issues in relations between China and the United States and speculates about the possible successors to power in China. Finally, it reports on a conference on security and development in Northeast Asia, jointly sponsored by Georgia Tech, U.S.A. and the Institute of Global Concerns, Beijing.</p>					
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HONG KONG AND BEIJING: TRIP REPORT

CLAUDE A. BUSS

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14-31 March 1992

This trip was undertaken for two purposes: to further my research program on contemporary U.S. security policies in the region of East Asia and the Western Pacific; and to update and revise the content of NS 3661, my course on China, in the Department of National Security Affairs.

The trip itself was divided into four segments: first, a series of interviews and discussions with officials of the Consulate General, and with local journalists, business persons and ordinary residents of Hong Kong; second, a succession of briefings by Embassy officials in Beijing (including the Ambassador and his counselors); third, a three-day Conference on Economic Development and Security in the Northwest Pacific Region; and fourth, in company with Admiral William Pendley (newly-appointed Deputy Assistant Secretary of Defense, ISA-East Asia and U.S. Embassy officials); extended sessions with Chinese members of the Beijing Institute of International Strategic Studies, the Chinese National Defense University's Institute of Strategic Studies, the Chinese Academy of Social Sciences, and the prestigious Chinese Institute of Contemporary International Relations.

I am especially indebted to Major Mark O'Neill (an alumnus of the Postgraduate School) for setting up this schedule; to Lt Col Philip Yang (another alumnus) in Hong Kong; and to Defense Attache Admiral McVadon and Army Attache Col Mike Byrnes in Beijing, (and to their wives and staffs) for the professionalism and grace with which they anticipated and responded to my every concern. I appreciate their

hospitality, their assistance and their courtesies more than I can possibly express.

The timing for this trip was singularly appropriate. While struggling to chart a new course in East Asia, the United States has conveniently kept China policy on the back burner. But a new day is dawning. A new Russia is emerging; a new Japan is stretching its economic muscle; and a new generation of leaders in China is about to replace the old revolutionaries who have guided the nation for more than half a century. Anyone with the slightest interest in the United States in East Asia and the Pacific -- whether student, teacher bureaucrat or policy maker-- has need of all the insights into the China situation that can be obtained.

I

Hong Kong is a good place to begin a study trip to China. The airport is crowded; the discipline of the officials is exemplary; the entire atmosphere is business-like. Outside the airport, the taxis are lined up in order; the neon lights are blazing; every one is in a rush. Hong Kong is the Big Apple of the South China coast.

Since the four modernizations of 1978, Deng Xiaoping has tried to convert the Special Economic Zones of South China into little Hong Kongs. He has grafted basic elements of capitalism (material incentives, individual enterprise and market economy) on to the four cardinal principles of Chinese socialism (the socialist way, democratic centralism, the leadership of the Communist Party and Marxist-Leninist- Mao Zedong thought). He has tried to convince his people that any policy is good if it benefits the productive forces of socialism, boasts the comprehensive strength of the new nation and raises the individual's standard of living. Overcoming the opposition of the hard liners, his legacy to China is "our central task is economic development, ideological rectitude is less important." His current line is, "we must open our doors and windows to the outside world for a hundred years; we must be bold; we must rush ahead -- we dare not be like a woman with bound feet."

Deng does not shy away from experiments with capitalism: "let us try share ownership and stock markets -- if they fail, we shall discard them." His opponents charge that he is selling out to capitalism, but the ranks of his opponents are thinning. They condemn "spiritual pollution" and the "peaceful penetration of capitalism" but they tend to get on Deng's bandwagon when they read his ultimatum that "whoever is opposed to reform must leave office." He says "we must sack the incompetent and the mediocre, the people with ossified thinking and the officials who lack the spirit of blazing new trails."

Deng has given his blessing to the enterprise culture of the south as opposed to the old-fashioned communist dogmatism of the north. He and his allies have given the officials of Guangzhou permission to turn the whole province of Guangdong into an open area. He hopes that South China will catch up with the 4 dragons (Hong Kong, Singapore, Taiwan, and South Korea) in 20 years. He wants the string of new Hong Kongs to spearhead the growth of the entire country.

Over the course of the last few years he has obtained significant results. Shen Zhen has grown from a sleepy village of 20,000 to a bustling city of 2 million, complete with factories, stores, high-rises, bars and an Arnie Palmer golf course. This Special Economic Zone makes Mickey Mouse toys, Adidas sweat pants, Yashica cameras and a host of sweaters, brassieres, purses and shoes. Hong Kong dollars are the most acceptable currency.

As Deng says, "When the doors and windows open, the flies and mosquitos come in." In Guangdong, bribes will get anything done. Rock concerts outdraw Marxist study sessions, entrepreneurs outnumber ideologues, and more people are rich than red. Prosperity has brought its portion of sex, violence and drugs. But Guangdong prosperity record is spectacular: GNP up 13 1/2% in 1991 over 1990; industrial output up 272% with 38% of the industrial production credited to private enterprise. No wonder the young people look longingly from the farm to city lights.

The fateful year 1997 has little dread for some Hong Kong businessmen who still can buy a Toyota Camry for \$42,000 (US) cash, because "it is cheap." Many who have already made their millions are hedging their bets by looking abroad for places to send their families. For dollars or people out, however, there are more dollars or people in. Most of the new money comes from Japan, Taiwan, Singapore or the Chinese mainland. I found more optimists than pessimists about Hong Kong's future. As one successful entrepreneur put it "the smart thing to do is to find a Chinese partner and open a branch office in Shen Zhen, Beijing or Shanghai." As the saying goes "young man, go north." Hong Kong is the role model for the China of tomorrow, rather than the other way around. Hong Kong and China have need of each other, and the Chinese are too smart to kill the goose that lays golden eggs. Besides, China will have to perpetuate Hong Kong's prosperity if it ever hopes to convince Taiwan that "one government, two systems" is a viable possibility.

Hong Kong is the best possible post to observe what is going on in South and Coastal China. Access to the interior is easy, so are contacts with travellers of all nationality who move in and out of China. There is more freedom of expression in Hong Kong than in the mainland cities and there is practically no fear "of the midnight knock on the door." The U.S. Defense Liaison Office in Hong Kong (the official title under which our attaches work) is uneasy about its future. Since military attaches are not usually set up in Consulates-General, our attaches in Hong Kong are officially accredited to Hong Kong' mother country, Great Britain. It is virtually certain that this arrangement will disappear in 1997.

Hong Kong lives by trade, tourism and manufacturing, but the trade factor is most vital in Hong Kong's relations with the United States. Without most-favored- nation in American trade with China, Hong Kong would suffer. China's total foreign trade has grown from U.S. \$ 38 billion in 1980 to U.S. \$ 135.7 billion in 1991. About one third of this passes through Hong Kong, and most of Hong Kong's direct trade represents ultimate trade with the United States. China's trade surplus with the United States in 1990 was exceeded only by Japan's surplus in Japan-American trade. Hong Kong needs the MFN treatment in U.S.-China trade, just as it

needs American support for China in such international institutions as the World Bank, the Asian Development Bank and the GATT global trading system. Together with all Chinese, Hong Kong protests against the linkage between MFN and human rights and argues that putting any conditions on free trade weakens the western-oriented, modernizing, reform elements in China's leadership.

Democracy and political reform are touchy subjects in a crown colony where privilege has always been more conspicuous than equality before the law. British colonial administrators, prosperous foreign businessmen, and the "Queen's Chinese" are not particularly good examples of democracy. The word "democracy" itself means vastly different things to British at home in Great Britain and to Chinese refugees from imperialism or communism who have been obliged to make their living in Hong Kong under the comparatively benign administration of the last remnant of the British empire. Even under the Chinese after 1997, democracy and protection of human rights will be slow in coming to Hong Kong. Not too many people talk about these things or worry about them, while the overwhelming preoccupations of the moment are sheer survival or getting rich.

II

The political atmosphere in Beijing is decidedly different from that of Hong Kong: less frenetic, less commercial, more restrained, and more reflective of all China rather than just the limited area of the South China coast. Beijing is the geographic heart of China including the outlying areas of Manchuria, Mongolia, Turkestan and Tibet, each with its own problems and aspirations. As China's capitol, it bears responsibility for the entire country -- the North China plain, the great northwest, Szechwan, the rice-growing south, and the minorities of the mountainous southwest -- with all their variety. The national political institutions are housed in Beijing, and here the policies are made or modified which determine China's fate. There is a dignity about Beijing unmatched by any other place in China. And the city is growing: broad avenues lined with trees; more high rises;

traffic jams; luxury hotels; and a proliferation of retail stores which show that the northern Chinese have no intention of being left behind in racing with the southerners for reform and openness to the outside world.

It does not take long to discover that Beijing people are far less open in talking with foreigners than their counterparts in Hong Kong or Quangzhou. The shadow of Tienanmen in June 1989 still hangs over the city. The courageous freedom-fighter, Wei Jingshen, the hero of Democracy Wall a decade ago is still in jail after having served 13 of his 15 year sentence. The distinguished physicist Fang Lizhi, is still in exile as are the thousands of Chinese students abroad who are afraid to come home. In spite of the modernization reforms, the same authorities are still in command of the army, the secret service, and the political apparatus who ordered the crackdown at Tienanmen. The university campuses have been hushed and in ordinary conversations people tend to pause every two minutes or so to glance about them to see who is listening. A kind of freeze settles over a meeting when one mentions Tienanmen. At best, the Chinese in private conversations will go on the defensive with statements like, "we have always had summary executions with us," or "many more people lost their lives during the Cultural Revolution than at Tienanmen" or "you Americans have no business meddling in the strictly domestic Chinese concern for human rights."

This does not mean that the Chinese are unconcerned about foreign opinion or ignorant about events in the outside world. The Chinese media, of course, are tightly controlled, but half of all Chinese have access to TV (from Japan, Korea, and CNN), to the radio, fax, videos and all the paraphernalia of the information revolution. As individuals, the Chinese prize freedom as much as anyone else. Youngsters revel in their freedom of choice for brightly colored clothes and loud rock and roll music, and oldsters rejoice that the busy-body cadres have a lot more to do than to pry unconscionably into the everyday life of ordinary citizens. Social tensions are felt in Beijing as elsewhere, but those tensions are tightly controlled. Still there is no telling if, when, where or under what circumstances another Tienanmen challenge to authority might occur.

Beijing is the arena of conflict, where reformers and hardliners meet, where the present leaders tell the people what is going on while the stage is being set for the takeover by the next generation of communist leaders. The annual plenary session of the 7th National Peoples Congress was in session during my visit in Beijing. On this occasion some 2000 representatives from all over China met to hear reports from the various government officials on "the state of the nation," -- on what has been accomplished during the past year, and what is in store for the immediate future. The National Peoples Congress is by no means a legislature; its obligations are merely to listen and applaud. This year the reports were decidedly upbeat. The Congress was told that last year the GDP had increased by 7%, industrial production was up 14% and exports were up 15%. Grain production reached 435 million tons, the second best year after 1984. Economic reforms would continue and great plans were in the works, particularly the Three Gorges Dam over the Yangtze River. Prime Minister Li Peng made a special appeal for Chinese scholars to return home. He said 150,000 have gone abroad since 1978 and 2/3 of these have not yet returned. He promised that they would be welcomed regardless of their political inclinations.

Li Peng's report on current diplomacy was particularly interesting. He characterized the world situation as extremely favorable, and the opportunity for peace, stability and progress as greater than ever. According to him, the old order has gone and new one is coming into being. The western countries are in the grip of economic recession, international economic competition is growing more bitter, North-South contradictions are more pronounced, and ethnic feuds are touching off more regional conflicts. The questions of peace and development (the two top priorities on the national agenda) still remain unsolved. Hegemonism is rampant as is seen in the U.S. perception of a unipolar world, and power politics are the root causes of turmoil in the world situation. China is opposed to both.

The Prime Minister and his able Foreign Minister, Qian Qichen, boasted of great diplomatic achievements in the past year. In their view, China has cemented good neighborly relations with surrounding countries including Singapore and Indonesia. China backs Mahatir's East Asia

Economic Caucus and cooperates whole-heartedly in the effort to bring peace to Cambodia. Sino-Japanese relations have returned to normal. China has strengthened solidarity with other developing nations and stands ready to maintain normal relations with Russia and the states of Eastern Europe. China is "ready to contribute its share in accelerating the peace process in the Middle East, always supporting the just cause of the Palestinian and other Arabs." China is always ready, to work for effective arms control and for the banning of chemical and biological weapons. While steadfastly maintaining its traditional friendship for North Korea, China expects that its opening to South Korea will contribute to the reduction of tensions on the war-torn Korean peninsula. At any rate, China is proud that its diplomacy has ensured a peaceful environment for the country's modernization and looks forward to further participation in the efforts of the United Nations to work for world peace and stability.

III

It was a challenge to get beyond these generalities and to delve deeper into China's diplomatic problems, concentrating specifically on the conflicts with the United States. In our meetings with the assorted think tanks, we (admiral Pendley, selected officials from the Embassy and I) deliberately invited confrontation with the feeling that frank discussion would possibly lead to better understanding.*

A summary of the conversations with the Chinese in the think tanks we visited gives an idea of their current concerns about the United States. They realized that the United States is the only power to endanger China's survival but they know our intentions are not in that direction. They accuse us of wandering along an uncertain path between world dominance and isolation. They see us as wanting to be a benevolent superpower, but dedicated to the ultimate strategic goal of destroying the last vestiges of communism (read China) and creating a new world order based on our own concepts of democracy and a free market economy.

* The observations that follow are strictly my own -- they must not in any way be taken to reflect the impressions or views of Admiral Pendley or my other companions. No one other than myself is responsible for the views expressed in this report.

The Chinese do not favor a new world order, western style. They are not interested in a balance of power. They do not see a multi-polar world, but a world of separate individual powers without respective clusters of satellites. Since the Chinese focus is on internal development, they do not need to concentrate their relations on any single power or group of powers. They look beyond the U.S.-centered collective defense system in East Asia and the Pacific to a bold new age where all nations will deal with each other on terms of equality and mutual respect. After the turbulent experiment of war, depression, and the confrontation of the cold war, the Chinese want the Americans to constitute a protective, but not a dominant power in East Asia. From the United States, China expects more help for the Third World, more foreign aid, more debt-relief, greater transfer of technology, and freer access to the lucrative American market.

The Chinese wonder about the outcome of the current American elections. What if a Democrat wins? What if the influence of Dick Gebhardt or Pat Buchanan grows? In the Chinese view, the U.S. Congress talks too much about human rights and talks down to the Chinese. "Ideology has no place in international relations," they say, "and fanatics like Nancy Pelosi only make the Chinese more indignant . . . it never pays to try to put too much pressure on China."

The United States underestimates the importance of China in Asia, and pays too little attention to long-run considerations. Les Aspin even put China on his list of potential conventional targets. China is a friendly country and the United States should show China more respect. The West, but not China, may be content to accept the U.S. as leader, . China is strong among the strong, and will not accept the leadership of any one -- not the United States, nor Russia, nor Germany, nor Japan nor anyone else.

Although different from Americans in background and culture, the Chinese insist that the basic outlook of the two peoples in international affairs should be harmonious for one hundred years. We both stand for stability and peace. Yet the Chinese worry about the Americans -- "they are so impulsive, inconsistent and undependable." Chinese do not

understand why Americans maintain such a might military machine. "What are you afraid of," they ask, "is it the remnant power of Russia, or the disparity in wealth between the North and the South, or is it a possible nuclear explosion?"

Seeing us at the moment as a status-quo country one Chinese remarked, "it looks funny to see progressive America as ultra conservative, and so dependent on military might." To him, the seven scenarios recently released by the Pentagon show that the present administration has not given up its fantastic idea that the United States can be the world's policeman. Some Chinese accuse the Americans of having a double standard in arms sales and arms control, "You are the World's biggest arms salesmen yet you want to limit and control the sales of others . . . you preach non-proliferation but yours is the biggest stockpile of nuclear weapons." Some ask why we think that some other nation would be more dangerous than the United States as a nuclear threat. Their complaints are that "you make the rules and we are asked to observe them, and that there is inadequate consultation with us as though we were second class citizens." In their opinion, a healthy control of arms sales demands the full participation of all countries. Arms control should not be used as a scam for power politics.

The Chinese argue that the increase in the military expenditures in their own current national budget is no sign of aggressive intent. The increase is called for only because China is so far behind in military power. The Navy and the Air Force are in desperate need, and modernization demands a lot of money. The Chinese insist that they must develop according to their own socialist concepts, which are not expansive as were the communist concepts of the former Soviet Union. The Chinese aspire to no regional hegemony, and they see no possibility using military power, or a multi lateral force with a strong Chinese contingent, as a means for preserving peace and stability in East Asia. Although cultural differences are greater in Asia than in Europe, Asia is fundamentally more stable than Europe because of its thriving economy. The Chinese recognize, however, that the prosperity that has come to all of Asia has been possible only

because of the generous access to the American market and the security afforded by the protective umbrella of the United States.

Lastly, the Chinese wonder about the staying power of the United States. How strong is the American will? They know of our social and economic difficulties at home. They see us as refusing to tackle our spiritual problems while losing out in the growing competition with Japan and Germany. In their view, our problems are far more complex and difficult than they were in the simplistic days of the cold war. Then we blamed all our ills on the menace of communism. Now that the cold war has ended, the Chinese wonder if we can meet our deficits, solve our domestic problems, and still provide the aid that is called for by Russia, Central Europe and our neighbors in Latin America. Finally, the Chinese ask, "what will all this leave for China, which may become even more useful to the United States in the next century?"

It was not easy to answer this barrage of criticism and doubt, but Admiral Pendley exhibited exactly the right mixture of rebuttal and confidence in countering with observations on American policies. In no single instance did a Chinese-American dialogue degenerate into argument for argument's sake. The Chinese were assured that we would always be involved in Asia -- maybe less so because of our financial restraints. But we will be there. When asked if the Americans were prepared to make major changes in the EA/P region, or whether we were just scaling down our military establishment there, Admiral Pendley stated, "we must not dismantle too quickly. Americans must maintain the ability to protect our interests by maintaining an appropriate force structure to operate in a multi-polar world: where security demands more than military technology and where an increasing number of problems are global or transnational."

No contradiction was seen between fundamental Chinese and American views on the long-range outlook for peace and stability. The Chinese were assured that the Americans were not about to give in to our political or economic adversaries in the contemporary world. Americans were not about to roll over and play dead because our rivals were getting

stronger. We Americans will modify our strategies, make adjustments in our use of resources, but will gather our strength to meet new contingencies as we have done when facing up to crises in the past.

On our part, we Americans are not about to charge the Chinese with hegemonism or insensitivity but we do have some questions about some issues in which we have an extraordinary interest. Did the Chinese really need the increase in the military budget? Was it absolutely necessary to include the Spratlys and the Diaoyutai in the recent declaration of territorial waters? Does the Chinese Foreign Office intend to (or does it have the ability to) exert control over the various government agencies involved in the foreign sales of missiles and various nuclear devices? Is it not possible from a simple humanitarian point of view to release some of the political prisoners under detention or in jail without trial? Without compromising its sovereign rights in any way, cannot China give the world greater assurance of its peaceful and democratic intentions with regard to both Hong Kong and Taiwan?

In response to questions about their own perceptions of the future, various Chinese spokesmen saw the whole of the 1990s as a time of transition to their own new order, singularly devoid of threats of a global war. They do not see any major contradictions over the horizon. They see more problems north versus north and south versus south than they see north versus south. They also see more east versus east and west versus west than they see east versus west. They are not too concerned about rising nationalism and growing Islamic fundamentalism. They see further chaos world-wide due to the destabilizing effects of democracy and the free market system, and in the West they see great danger in the continuance of the balance of power struggle and nuclear proliferation.

Looking ahead, China thinks Europe will be the area of major trouble and sees nothing but further chaos there. Narrow nationalism and economic hardship will prevail. It is silly for the United States to think that it can cure Europe's ills -- or those of the rest of the world. The United States should get off its global kick and look after its own domestic and regional concerns.

The Chinese are less perturbed than we about the fate of Russia. The Chinese dislike intensely the developments in Russia and the rest of Central and Eastern Europe. They do not sympathize with the American interest in Russia and they did not applaud the failure of the Russian "putsch." They are convinced that Gorbachev was a disaster for Russia and for the good name of socialism. They see no difficulties in peaceful coexistence with future Russia or with the Asian succession states in the former Soviet Union. The Chinese and the Russians have ratified their treaties adjusting the eastern boundaries and have concluded their pacts of non-aggression. According to the Chinese, an eclipse obscures Russia's destiny in Asia. Russia has no power to stand up against the United States, or Japan, or China. Nor does Russia have any intention of doing so in the foreseeable future. China shares the American concern about the dismantling of the former Soviet military machine and the reduction or elimination of its nuclear armament. But Russia's problems are at home, or in Eastern Europe, but not in Asia. China see its own relations with Russia as improving, and notes that the new Russian ambassador, Rogachev, is a distinguished Chinese scholar.

The Chinese feel that they have been more successful than we in dealing with Korea. The Chinese honor their traditional alliance with North Korea but in keeping with their commitment they have progressed toward better relations with South Korea. They are circumspect in their discussions of North Korea's nuclear development and intend to exercise their influence towards reunification, as a hope for lasting peace on the Korean peninsula. They encourage trade with South Koreans and make no secret of their hopes for expanded South Korean investments in China. They have welcomed direct flights to China by the South Korean airline and look forward to the establishment of normal diplomatic relations with Seoul.

In talking with Chinese, it does not take long to detect vast differences in the respective approaches of China and the United States to relations with Japan. Nothing grates on Chinese more than former Ambassador Mansfield's dictum that "the alliance with Japan is our most

important alliance being the key to peace and stability in Asia" The Chinese do not feel that Japan is integrated into Asia in the way that Germany is integrated into Europe. To the Chinese, the Japanese dream of the Co-Prosperity sphere is alive and well, and the threat of a remilitarized Japan is the greatest menace to the future of Asia. The Chinese have not forgotten the Twenty-one demands, the attempted theft of Manchukuo or the Nanking Incident. Psychological resentment has not disappeared from the minds and hearts of Chinese who still feel victimization by the aggression of Japan.

When the Chinese were reminded that it would be a calamity for the Pacific area if the U.S.-Japan alliance were to be fractured, the Chinese replied "yes, but that alliance need not be cast in concrete". . . good relations do not require an alliance." The economic power of Japan merits political understanding, but not a superior role for the maintenance of regional security. The Chinese worry far more about the expansion of Japanese military than about the possible damage of Japan-bashing. Japan is entitled to more consultation on international problems, possibly to a permanent seat on the Security Council of the United Nations, but not to a prominent role in peace keeping in Cambodia. Japan should not have been asked to send mine sweepers to the Persian Gulf.

The Chinese expressed no interest in the manner of settlement of the Japanese-Russian dispute over the northern islands of Japan. It was fascinating to watch a clever Russian diplomat try to worm an opinion out of his Chinese counterpart, but he could elicit nothing more positive than, "I don't give a damn who gets those frozen islands." The Chinese do not object too much to the existing U.S.-Japan alliance because it does not obligate Japan to come to the assistance of the United States. On the other hand, giving the United States so much responsibility in providing for the security of Japan, the current alliance keeps the lid on Japan's unawakened ambitions.

So far the Chinese have not been overly worried about Japan's spectacular economic accomplishments. In a way Japan is a role model for China. Japan has made loans to China on concessional terms and is the

number one foreign investor in China. But China wants further yen credits and it has not given up entirely on the matter of reparations. During the cold war, the question of reparations was impossible, but now it is different. At this time, China would even welcome a visit by the Japanese emperor so that he could offer appropriate apologies for wrongs done by his nation to China in the past.

IV

A special feature of this China trip was attendance as one of a dozen American delegates at a pioneering international Conference on Economic Development and Security in the Northwest Pacific region. The conference was jointly sponsored by the Institute for Global Concern (China) and the Center for International Strategy, Technology and policy (Georgia Tech, USA). In some very interesting meetings, I perceived a new approach to current problems of the Northwest Pacific, and gained some new insights into Chinese attitudes and policies in world affairs. The contrast between the hardline, enigmatic policies of the Chinese government and the warm, open, directness of the Chinese individuals charged with the implementation of those policies was inescapable.

As one member of the Chinese delegation put it, this conference was the first attempt after the cold war to get its priorities straight. Economic development must come first, security afterwards. If a nation is too poor, it never gets around to security. Traditionally, the Northwest Pacific has been regarded as the most inflammatory confrontation point in the Cold War. The absolute turning point from security to development was reached by China's opening to the outside world and the collapse of communist power in the Soviet Union. The release of the communists from stultifying state control was matched by the free world's liberation from its singular preoccupation with containment.

At the conference, it was pointed out that "old thinking" about the Northwest Pacific concerned itself primarily with such concerns as the activities of the Soviet Fleet, the 54 divisions of Soviet troops on the

Chinese border, the return of the Northern Islands, North Korea's military intentions, the threat of the Soviet ICBMs, and the ominous remilitarization of Japan. Such concerns have by no means entirely disappeared. But the "new thinking," which this conference exemplified, must address itself first and foremost to the problems of economic development.

In papers prepared for the conference, scholars analyzed the existing economic situation, disclosing the urgent need for economic development in Mongolia and Eastern Siberia -- and the region where Russia, China and Korea come together. The entire area is rich in resources but is devoid of an adequate infra structure. It is lacking in capital, management skills and technical know-how. Its needs are so great as to demand international help.

What can be accomplished by international cooperation was indicated by the current project of the United Nations Development Agency to develop the delta of the Tumen River. Similar action might be hoped for someday perhaps to develop the Sakhalin- Yakutia petroleum deposits, to link Japan and Korea by way of Tsushima or even to construct some kind of physical connection between the continents of Asia and North America.

Dreamers and planners always have their skeptics and critics, so the futurists for the Northwest Pacific give rise to a full quota of problems and questions. Who is going to pay for all these schemes? How can you expect cooperation from people with such different cultural backgrounds and such incompatible value systems? How will you adequately distribute the benefits of development? How will you regulate the movement of goods and people across international borders? How will you protect the environment? How will you reconcile the jealous claims of national sovereignty with the needs of international or transnational operating agencies?

As might be expected the Russian and Mongolian delegates were most supportive of the analyses but least optimistic about forthcoming results. The Americans, Canadians and Japanese were most reserved because they were most conscious of the risks and costs. Their question was, how are you going to make these visionary schemes bankable? The

Chinese were most enthusiastic, speaking often of the new day that is about to break. They admitted, however, that "we cannot do a thing without money, and we have no money." One thing the Chinese were sure of, they do not relish the prospect of regional blocs. The North American Free Trade Zone will hurt China and if a yen bloc were to emerge in competition with the EC and the NAFTA, China would still be the loser.

All the talk about economics did not blind the conference participants to the need for continuing security. How shall adequate security be provided so that development efforts may be carried on in peace? It was pointed out that the mighty American military machine must be reconstituted in a rational manner, without wrecking the American economy or depriving the world of the security umbrella that it has enjoyed in the last forty years. Although Soviet military might has been demolished, dangerous weapons must still be disposed of. Russian scientists, soldiers and sailors have been thrown out of work, but they must be provided for if peace is to be preserved. Local armies in Asia must be reduced in numbers and crisis atmospheres must be eased by confidence-building measures. We all need to save the money we have been spending on armaments.

Then some questions were asked which might be discussed at a follow-up conference. Is it time to get rid of COCOM and the residual United Nations armistice machinery in Korea? Is it useful to plan for arms control or limitations on armaments in the Northwest Pacific? Is a nuclear-free zone practical for the Northwest Pacific? Would it be benefit to the world if an organization for Cooperation and Security were formed in the Pacific somewhat comparable to the CSCE?

The liveliest discussions of the conference were provoked by the topic of the two Koreas. Representatives were present from both the North and the South. The spokesman of the North naturally extolled the assets of his country and praised the sagacity of Kim Il Sung. He declared that the North wants to open its windows to the outside world and to cooperate actively in any and all projects (like the Tumen delta) for the benefit of the Northwest Pacific region. Both he and his counterpart from the South

spoke in favor of the recently-signed non-aggression accord and the joint declaration of deneutralization.

The joint declaration provides that "neither side shall test, manufacture, receive, possess, store, deploy or use nuclear weapons." It seems that all that is left is to provide for inspection and verification, but the Americans at least will never take the declaration at face value until North Korea opens itself completely to the Atomic Energy Agency's inspectors. With the removal of tactical nukes from bases in South Korea and from American surface ships, North Koreans agreed that the last obstacles are being removed from converting all of Korea into a non-nuclear zone. But the last American troops have not been removed from Korean soil, and until that happens the North says reunification is impossible. And the North still insists that reunification will have to be on the basis of confederation: "one state, two systems." At the conference, the North Korean delegate told the South Korean point blank, "If you think that reunification is going to be achieved on the premise that the one Korea will be a liberal democracy based on the concepts of a free market, you might as well forget it."

It was a consolation, however, to realize that even if the arguments continue between the two Koreas, the danger of a Korean conflict spreading into a global war has all but disappeared.

V

Just as the Koreans stated their conviction that the fate of Korea was the most important single key to further economic development in the Northwest Pacific, the Chinese begged to differ. They said, "as goes China, so goes the Northwest Pacific." The greatest factor in the future of Asia, in Chinese opinion, was the progress of China's reform. "We have our problems," said the Chinese, such as increasing gaps in wealth, central planning versus local control, and the imbalanced progress between the Special Economic Zones and the rest of China. One speaker compared China's reform to the Yangtze River. "Sometimes the river is unruly,

boisterous, rapid and sometimes peaceful, silent and gently flowing, -- but old man river, he'll just keep rolling along." As one Chinese at the Conference said, "Criticize us, make suggestions to us, if you like, but do not worry about us."

After the Conference, my prime objective was to learn as much as I could about China's future. For now, economic reform is solidly in the saddle. China is in no hurry for political reform, and enjoys surface tranquility after Tienanmen. China wants none of the chaos of Russia, because it is convinced that order leads to prosperity, chaos leads to decline. Further economic reforms are needed -- to break the "three irons" (the iron rice bowl, the plush jobs of the bureaucracy and the security of state enterprise employees), to get the government off the back of business, to slash the work force and grant higher pay to those who survive, to reform housing and provide a system of medical care, and above all to eliminate corruption and favoritism. Opposition still exists from the Left (the orthodox communist ideologues like Li Peng) and from the Right (the intellectuals seeking the 5th freedom or democracy like the protesters at Tienanmen), but the old guard under the firm control of Deng Xiaoping is hard at work shaping a succession regime that will carry on the current modernization policies.

Much is made of a current "succession struggle" but the "struggle" is not likely to erupt beyond halls of the Politburo or the Central Committee. Crucial decisions are made by a very few persons, five or six at the most, who are surely near the end of their natural lives. They are the last of the veterans of the Long March and their ideas differ more in degree than in kind. They all advocate reform, they differ only in speed and distance. Their decisions will be made public at the upcoming 14th Conference of the Chinese Communist Party, when it is expected that the likes of Deng Xiaoping, Li Channian, Chen Yun and Yang Shangkun will at last step aside.

No successor is likely to achieve their prestige or power, and I can only offer my best guess as to who will follow. I must caution the reader that some one unsuspected may very well appear. One of the best China-

watchers I ever knew (Willys R. Peck, the long time Chinese Secretary in the American Legation at Beijing) always put at the end of his despatches the warning "the thing that is most likely to happen is the one that I cannot for the life of me foresee." It is fairly certain that the present General Secretary of the Communist Party, Jiang Zemin will not emerge as China's next strong man. He has no power base of his own. Nor will Li Peng continue at the top. Many consider him the fall guy of the present regime who has had to take all the raps for everything that has gone wrong. He is sometimes described as the most cordially hated man in all of China, Zhao Ziyang, once thought of as the likely to be chosen by Deng Xiaoping, is still out of favor by party hacks who consider him too liberal and far too sympathetic with the protesters at Tienanmen. None of the lesser lights in the State Council (the Cabinet) nor in the regional military commands is seen as a possible successor to the heights of power.

Speculation centers on five persons of proven capacity to lead: Zhu Rongji, the former mayor Shanghai, well and favorably known in the United States; Ye Xuanping (son of Ye Jianying) former governor of Guangdong and credited with that province's prosperity; Zou Giahua, son-in-law of Ye Jianying, member of the State Council and industrial leader; Li Changchun, former governor of industrial Shenyang and now winning his spurs as governor of agricultural Henan; and finally General Yang Baibing, the younger half-brother of President Yang Shangkun, who has risen spectacularly in the hearts and minds of the Chinese military.

Entirely aware of the inadequacies of this report, I want again to express my thanks to those who made this trip possible. In my own mind, the brief moment in China contributed immeasurably to updating my courses and helping me to understand the every changing course of events on the far side of the Pacific.

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